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August 1, 2012

The Honorable Jocelyn Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
P. O. Drawer 11649
Columbia, South Carolina 29211

RE: Request for Approval of Merger-Related Riders: Merger Fuel Savings Rider MFS-2 and Merger Capacity Mitigation Rider MCM-2 for Progress Energy Carolinas, LLC
PSCSC Docket No. 2011-158-E

Dear Mrs. Boyd:

Pursuant to the Commission's order dated July 2, 2012 in the above referenced docket, Progress Energy Carolinas, Inc. ("PEC") submits for approval Merger Fuel Savings Rider MFS-2 and Merger Capacity Mitigation Rider MCM-2. These riders will reduce rates paid by South Carolina retail customers to reflect benefits achieved with the merger of Progress Energy, Inc. and Duke Energy Corporation. A copy of Merger Fuel Savings Rider MFS-2 and Merger Capacity Mitigation Rider MCM-2 are attached as Exhibit Nos. 1 and 2, respectively, for Commission approval.

Merger Fuel Savings Rider MFS-2 establishes a decremental rider that will be effective for bills rendered on and after September 1, 2012 through June 30, 2013. Rider MFS-1 reflects projected fuel and fuel-related savings expected to be achieved in the first year following the close of the merger. The derivation of the rider is provided in Exhibit No. 3. Bruce Barkley, Manager of Fuel Forecasting and Regulatory Support, has executed and attached a Verification supporting the rate calculation.

Merger Capacity Mitigation Rider MCM-2 establishes a decremental rider that will be effective for a thirty-five (35) month period for bills rendered on and after September 1, 2012 through July 31, 2015. The rider results from market power mitigation interim wholesale sales and is calculated based upon the revenue requirement of generating facilities expected to be on the margin during the months and hours between July 1, 2012 and May 31, 2015. The derivation of the rider is provided in Exhibit No. 4 to this letter as well as in Appendix A to the May 16, 2012, letter filed with the Commission in this docket. The rider establishes a decremental rider that will be uniformly applied to all South Carolina retail sales and will not be subject to change

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during the thirty-five (35) month period. David Pistole, Principal Regulatory Specialist has executed and attached a Verification supporting the calculation.

Sincerely,



Timika Shafeek-Horton

Enclosures


STATE OF NORTH CAROLINA

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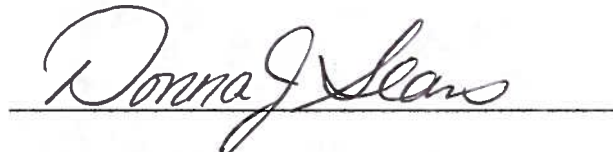
VERIFICATION

COUNTY OF WAKE

PERSONALLY APPEARED before me, Bruce Barkley who, after first being duly sworn, said that he is Manager of Fuel Forecasting and Regulatory Support, of Progress Energy Carolinas, Inc. and as such is authorized to make this verification; that he has read the foregoing request for approval of the Merger Fuel Savings Rider and supporting rate derivation and knows the content thereof; and that the same are true and correct to the best of his knowledge, information and belief.


Bruce Barkley

Sworn to and subscribed before me,
This the 30th day of July 2012.



My Commission Expires:

AUGUST 23, 2014

DONNA J. SEARS
NOTARY PUBLIC
Wake County
North Carolina
My Commission Expires Aug. 23, 2014

STATE OF NORTH CAROLINA

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VERIFICATION

COUNTY OF WAKE

PERSONALLY APPEARED before me, David Pistole who, after first being duly sworn, said that he is Principal Regulatory Specialist, of Progress Energy Carolinas, Inc. and as such is authorized to make this verification; that he has read the foregoing request for approval of the Merger Capacity Mitigation Rider and supporting rate derivation and knows the content thereof; and that the same are true and correct to the best of his knowledge, information and belief.


David Pistole

Sworn to and subscribed before me,
This the 31st day of July 2012.



My Commission Expires:

10-3-2014

